

PS 8520.03 CAPITAL EXPENDITURES, AUTHORIZATION FOR



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# Program Statement

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OPI: FPI  
NUMBER: 8520.03  
DATE: 3/9/2000  
SUBJECT: Capital Expenditures,  
Authorization for

1. **PURPOSE AND SCOPE.** To establish criteria and procedures for submitting requests and obtaining authorization for capital expenditures. Authorization for capital expenditures may be obtained through the annual operating plan process or by individual Request for Special Authorization (RSA).

The Annual Operating Plan is presented to and approved by the Board of Directors of Federal Prison Industries (FPI) before the start of each fiscal year. It contains authorization for capital expenditures for Building & Improvements, Machinery & Equipment, and Factory Activations.

The RSA is generally used to request approval to obligate and expend funds for items:

- when a need was not foreseen in time for inclusion in the Operating Plan; or
- when additional funding is needed for an expenditure that was originally approved in the Operating Plan.

In addition, the Planning, Research and Activation Branch (PRA) uses RSAs (hereafter referred to as Activation RSAs) to monitor expenditure of funds approved in the Operating Plan.

Before taking procurement action, all FPI components must comply with applicable laws and regulations on obtaining property from government agencies (i.e., excess and surplus stocks, Federal Supply Schedules, etc).

2. **SUMMARY OF CHANGES.** Capital expenditures are authorized prior to the beginning of the fiscal year in the Annual Operating Plan.

5. STANDARDS REFERENCED. None.

6. **ITEMS REQUIRING AUTHORIZATION.** Authorization from Corporate Management is required before any acquisition of a capital expenditure item can begin either by purchase or donation. Capital expenditures, as used in this Program Statement, include the following items:

a. **Machinery and Equipment (M&E).** Authorization is required for any acquisition, restoration or repair of M&E that has an anticipated cost of \$7,500 or greater. For donated equipment, authorization must be obtained for items with an original acquisition cost of \$10,000. (Estimated costs are to be used if actual costs are not available). This applies not only to individual items but also to groups, programs, or equipment projects involving similar or like items.

**Example:** A Cut and Sew Factory plans to modernize its equipment by replacing its sewing machines. The first phase of the modernization calls for replacing 10 machines at a total cost of \$49,000. Although each individual machine costs less than \$7,500, the total project is well above that amount. Authorization from Corporate Management for the project is required.

In addition, authorization is required to acquire any M&E which increases an operation's production capacity, regardless of the cost.

b. **Computer Hardware and Software.** Authorization is required for purchasing any computer hardware or software costing \$2,000 or more. This requirement however, does not include incidental computer supplies such as diskettes or printer ribbons. Furthermore, production related computer equipment, such as that used in the production process in Automated Data Processing (ADP) factories or software for personal computers used in Sign factory production, is subject to the \$7,500 limit for M&E as stated in Section 6.a.

c. **Motor Vehicles.** Authorization is required for all motor vehicles leased, purchased, donated, or transferred from other Bureau/FPI locations. Authorization to acquire forklifts is subject to the requirements for M&E in Section 6.a.

d. **Buildings and Improvement Projects (B&I).** Authorization is required for any building or improvement project having a total cost, including staff and inmate wages, in excess of \$7,500.

e. **Major New Construction and B&I Projects.** Authorization is required by the FPI Board of Directors for all major construction and M&E as part of major expansion programs. The PRA Branch Manager is responsible for developing FPI Board of Director proposals and resolutions which authorize FPI funding for major B&I or M&E projects associated with factory activation.

f. **Lease or Rental of Real Estate.** Authorization is required for any new lease or rental of real estate regardless of the cost.

g. **Pre-Industrial Programs.** Authorization is required for all FPI pre-industrial programs.

7. **ANNUAL OPERATION PLAN.** Generally, authorization from Corporate Management for capital expenditures must be obtained through the FPI Annual Operating Plan.

- Funding requests are made annually to Corporate Management through the Memorandum of Understanding (MOU), approved by the FPI Board of Directors, and published in the FPI Annual Operating Plan.
- Obligation of funds for items in the Operating Plan may occur after the Controller's approval.

a. **Requesting Authorizations via the Operating Plan.** The Associate Warden (I&E)/Superintendent of Industries (AW(I&E)/SOI) initiates requests to authorize capital expenditures at the requesting location through the MOU process. A Capital Expenditure Report (included in the annual MOU packet) is completed and submitted to the Senior Program Manager.

The PRA Branch Manager will initiate requests authorizing major construction and M&E projects for new institutions in accordance with the FPI Factory Construction and Activation Manual.

b. **Approval of Capital Expenditures via the Operating Plan.** The appropriate Senior Program Manager and/or Branch Manager evaluates the items requested by the AW(I&E)/SOIs on the Capital Expenditure Report.

- Priorities are established for these requests are then they are submitted to Corporate Management for approval. Items having a cost of \$500,000 or greater are drafted into a resolution for the approval of the FPI Board of Directors.

- The Deputy Controller in FMB is responsible for assigning an authorization number in the quarter immediately prior to the quarter in which funds are to be obligated. Authorization numbers are to be assigned in the format outlined in Section 12.b.

c. **Approval of Projects Related to Factory Activation.** The PRA Branch Manager will submit to the Board of Directors funding proposals for major construction and M&E for new institutions.

- Amounts that are approved by the Board are published in the Activation Section of the Operating Plan as major B&I and M&E. Board-approved funds for activation may be allocated over multiple years. They are valid through the completion of construction and activation.
- As in other Operating Plan capital expenditures, the Controller must grant approval in the quarter prior to the obligation of these funds.

d. **Duration of Operating Plan Authorizations.** Authorizations for capital expenditures (other than major B&I and M&E) that have been approved in the Operating Plan are valid for that fiscal year only; the funds must be obligated (contract/purchase order issued) in the same fiscal year as approved.

- Expenditures may continue to be made through March 31 of the following fiscal year. The Business Manager will notify FMB via memorandum of any changes in the proposed purchase/completion dates or funding requirements of Plan-approved items as changes occur.

In addition, the Business Manager will report to the FMB the status of all such authorizations at fiscal year end.

8. **EXPENDING FUNDS FOR APPROVED OPERATING PLAN ITEMS.** Although authorization to acquire capital expenditure items has been previously authorized, actual procurement is contingent upon forecasts of available cash. Consequently, the Controller will assess the availability of cash at the end of each quarter to determine the amount of funding available for capital expenditures. Before the end of each quarter, the Controller will notify appropriate offices of the approved level of funding for the following quarter.

Upon obtaining the quarterly cash approval from the Controller, the PRA Manager will use the Activation RSA to approve the release of funds for actual procurement for factory activations.

9. **REQUEST FOR ADDITIONAL FUNDS AND OFF-PLAN ITEMS.** Additional funds may be needed for a previously authorized item, or a need may arise for a capital expenditure item that was not anticipated in time to include in the Annual Operating Plan. Authorization for these type of expenditures are to be granted using an RSA.

a. The Controller must approve all RSAs for off-plan items and additional funding requests. The Management Information Systems Branch Manager must make a recommendation for approval for requests for non-production related ADP equipment first. The Senior Program Manager must recommend approval of computer equipment that is used for production purposes (i.e., software for personal computers used in production of signs).

The appropriate Senior Program Manager will recommend approval on RSAs related to M&E before submission to the Controller for approval.

b. In addition to the above approvals, the Assistant Director, IE&VT must approve RSAs for amounts greater than \$250,000. The FPI Board of Directors approves requests for amounts greater than \$500,000.

c. Requests for additional funding for factory activations will be made to Corporate Management through the PRA.

d. A copy of the original RSA must be attached to the new request if the capital expenditure was originally approved on an RSA.

**Example:** A factory was authorized funding of \$8,000 to acquire a piece of equipment. It was later learned that the equipment had a cost of \$10,000. An RSA for \$2,000 (with a copy of the original RSA for \$8,000 attached) must be submitted to Central Office for approval.

10. **REPROGRAMMING OF FUNDS.** Authorizations for capital expenditures may be reprogrammed within a Branch or Program as the need occurs. The Senior Program Manager or Branch Manager will sign an RSA approving the reprogramming of funds for capital expenditures as long as the amount does not exceed the previously authorized amount for that program. The RSA is then to be forwarded to the FMB.

11. **FACTORY ACTIVATION.** Authorizations for capital expenditures for factory activations are approved annually in the Operating Plan. However, before funds may be expended, the requesting location will submit an Activation RSA to the PRA Branch Manager

for approval. Location staff will consult the appropriate Activation Coordinator for specific instructions concerning items and amounts to be listed on the Activation RSA.

These RSAs are used for tracking purposes and are not to be submitted to FMB. They are to be routed directly to the PRA Branch and are to clearly state that the funds are to be used for factory activation. In addition, the Activation RSA number is to have the letter 'F' as the RSA type designator.

## 12. REQUEST FOR SPECIAL AUTHORIZATIONS

a. **Initiating an RSA.** The AW(I&E)/SOI will review and sign all RSAs initiated at the field location. Business Office staff at the initiating location will assign a control number for the RSA before it is forwarded to the FMB in Central Office. (Activation RSAs used to request release of funds for factory activations are to be routed to PRA.)

- The Deputy Controller is to ensure that the RSA is reviewed and logged, and then routed to the appropriate approving officials for final authorization in accordance with Section 9.
- The appropriate Branch Manager or Senior Program Manager must sign all RSAs initiated by Central Office before they are forwarded to FMB for assignment of the authorization numbers and routing. Those the Customer Service Center or Sales offices initiates must be routed through the Sales, Marketing and Customer Service Branch Manager.

A Vehicle Acquisition Request (VAR) (see the Facilities Operations Manual) will be submitted to Central Office with the RSA for the acquisition of any vehicles. In addition, a VAR must be submitted for all forklifts, even when an RSA is not required (i.e., forklifts purchased for less than \$7,500). The Warden, AW(I&E)/SOI, and the Facility Manager must sign the VAR.

b. **Authorization Number.** The initiating location will assign a 10-digit number to all RSAs in the following format:

X-9-9999-XXXX

The first digit is an alpha character designating the RSA type (see listing below). The second digit is the last number of the fiscal year in which the RSA was initiated. The next four digits are for the numerical sequence of issued RSAs. Numerical

sequence numbers 0001 - 6000 are reserved for RSAs. (The sequence of 6001 - 9999 are reserved for Operating Plan authorizations.) The next two digits are the location code and the last two digits are the factory code.

The following list of codes are for the RSA type designated in the first digit of the RSA number:

- M** = New Machinery
- R** = Repair of Current Equipment
- D** = Replacement of Old Equipment
- P** = Computer Equipment
- V** = Vehicles
- B** = New Building
- I** = Improvements and Repairs
- O** = Other (leased real estate or pre-industrial programs)
- F** = Factory Activation (**Note:** This code is used for any expenditure related to activation, i.e., M&E, B&I, computer equipment, vehicles, etc.)

**Example:** An RSA number of B-0-0001-xxFT indicates that this RSA is the first RSA issued by the xx location's furniture factory in fiscal year 2000, and that it is for a new building.

c. **RSAs must be complete,** accurate, and provide sufficient information for the reviewer and approving authority to identify the item and its purpose. Activation RSAs are to clearly state that the funds have been previously authorized for factory activation.

d. **Duration.** Approved RSAs (other than those related to factory activations) are valid for the current fiscal year only. Funds must be obligated (via contract/purchase order) on these RSAs in the same fiscal year. However, expenditures for approved RSAs may be made through March 31 of the following fiscal year.

Any expenditures beyond this date will require a new RSA. Amounts on open RSAs are to be incorporated into any cash forecasting report completed by FMB during the year.

e. **Tracking and Distribution of RSAs.** Upon approval of an RSA (other than those related to factory activations), the signed original will be returned to the Deputy Controller, whose designee is to:

- note approval of the RSA on the RSA log and maintain a file copy by category (RSAs that are not approved will be maintained in a separate file); and
- forward the original RSA (approved/not approved) and the VAR (if applicable) to the initiating authority within 30 days of the date that the RSA was originally received by FMB.

13. **REPORTING REQUIREMENTS.** FPI Business Offices at all locations will report financial activity on RSAs and Operating Plan authorizations via the Capital Expenditures Report, in the Spiderman reporting system in accordance with FPI reporting requirements. Completed RSAs and Operating Plan authorizations will be noted on the report by entering the completion date on the appropriate record.

The Business Manager will notify FMB via memorandum of any unexpended funds remaining on a closed authorization (RSA or Operating Plan).

a. The Deputy Controller or designee will maintain an accurate account of those funds obligated and/or expended through the capitalization expenditure authorization process by reviewing/reconciling the Capital Expenditure Report.

The Deputy Controller is responsible for providing a quarterly report on the status of the funds to Corporate Management for review.

b. The Assets Manager in the FMB will monitor the cash flow impact of approved RSAs and Operating Plan authorizations and update the corporate financial reports as appropriate.

/s/

Kathleen Hawk Sawyer  
Director